

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6650

BILL NUMBER: HB 1530

DATE PREPARED: Jan 10, 2001

BILL AMENDED:

SUBJECT: Payment of ABC Fees by Credit Card.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows the Indiana Alcoholic Beverage Commission (ABC) to accept payment of permit application and annual license fees by credit card, debit card, bank card, or charge card.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill would allow the ABC to accept payment of application and license fees by credit cards. The impact of this bill on the Commission will depend on several factors; including, the type of cards the Commission authorizes for use, the number of application and license fees that are paid by credit card, the fees the Commission would on transactions with a card, and the ability of the Commission to charge customers who use the cards processing fees.

Credit card companies charge establishments on each transaction. This charge is typically a percentage of an item's purchase price; the percentage may vary depending on the amount of the transaction, retailer's sales volume, and other factors. The fee is subtracted from the amount the issuing banks remits back to the establishment. Of three major card companies, Visa, MasterCard, and Discover, only Discover allows establishments to charge card users a processing fee to cover its charges to the establishments. Visa and MasterCard have revoked establishment's authority process credit card transactions if a card user is charged a transaction fee. Visa and MasterCard may allow the ABC to assess a fee if the Commission were able to add an additional service related to the card's use. (For example, the renewal of licences or permits by phone or the Internet.)

The Bureau of Motor Vehicles' experience with the use of credit cards indicates that with respect to the total number of transactions, Visa and MasterCard were used 11% of the time, whereas the Discover card was used 1-1 ½% of the time.

Based on this information, the ABC could experience a reduction in revenue if the Commission decides to

accept credit cards and is not able to charge its customers a processing fee. Revenue collected from ABC permits and licenses are deposited in the state General Fund, the ABC's Enforcement and Administration Fund, and Excise Police Retirement Fund. In FY 2000, the ABC collected approximately \$ 8.1 M in permit and license fees. If 12.5% of the customers used credit cards, an annual processing fee would be assessed on \$ 1,012,500 (12.5% of the \$ 8.1 M). Assuming that the processing fee is 1 ½ %, the ABC's revenue would be reduced by \$ 15,188. If, however, the Commission is able to charge credit card users a transaction fee when cards are used, the reduction in revenue to these funds may be partially mitigated.

The credit card vendor is required to provide the processing equipment. If the ABC purchased the necessary processing machines, the processing fee would be less, but the ABC would be responsible for maintenance, repair, and replacement of the machines.

Explanation of State Revenues: See State Expenditures.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Alcoholic Beverage Commission.

Local Agencies Affected:

Information Sources: Alcoholic Beverage Commission; John Ryan, Department of Natural Resources, (317) 232-3441.